

I-502 Marijuana

JUNE 2014

Producers

Marijuana producers are licensed by the Washington State Liquor Control Board (LCB) to produce and sell marijuana at wholesale to marijuana processors and other marijuana producers.

How Taxes Apply to the Production and Sale of Marijuana

Marijuana producers are subject to Washington taxes administered by the Department of Revenue.

Business and Occupation Tax:

The gross income received from the sale of marijuana to marijuana processors and other marijuana producers is subject to the B&O tax under the Wholesaling classification.

Effective June 12, 2014, marijuana, useable marijuana, and marijuana-infused products, including marijuana concentrates, are specifically excluded from the definition of an "agricultural product" under RCW 82.04.213. Since these products are not agricultural products, marijuana producers (growers) are not farmers and they do not qualify for the B&O tax exemption on wholesale sales of agricultural products by farmers.

For more information, see our [Special Notice: Recreational and Medical Marijuana – Repeal and Clarification of Excise Tax Deductions, Exemptions, and Preferential Rates](#).

Amount Subject to B&O Tax

For purposes of the B&O tax, gross income includes, but is not limited to:

- Cost of goods sold.
- Markup, which may include:
 - The 25% marijuana excise tax paid to the LCB.
 - Business expenses.
 - Additional markup for desired profit.

Continued on next page.

Retail Sales Tax and Use Tax:

All marijuana producers must also pay retail sales tax or use tax on all machinery, equipment, and supplies used to produce marijuana. Marijuana producers are considered the consumer of these items. Examples of taxable items include:

- Lights and lighting equipment
- Ventilation equipment
- Other supplies such as timers, hygrometers, grow tents, etc.

Effective June 12, 2014, marijuana producers owe sales tax or use tax on their purchases of seeds, seedlings, fertilizer, sprays, pesticides, and other products used directly in the growing of marijuana. Since marijuana producers are not farmers, sales of these items to marijuana producers are retail sales. (See our [Special Notice: Recreational and Medical Marijuana – Repeal and Clarification of Excise Tax Deductions, Exemptions, and Preferential Rates.](#))

25% Marijuana Excise Tax is Paid to Liquor Control Board

Marijuana producers are also liable for the 25% marijuana excise tax based on gross revenues. This tax is administered and payable to LCB. For more information, see LCB's webpage on I-502 implementation at: <http://liq.wa.gov/marijuana/I-502>. If you have questions regarding this excise tax, please call LCB's Customer Service Team at 360-664-1600 and choose Option 1 at the prompt.

The Department of Revenue will not accept payments for the 25% excise tax paid to LCB.

Do You Also Have a Marijuana Processor License?

If you also have a Marijuana Processor license to process marijuana, useable marijuana, marijuana concentrates, or marijuana-infused products, please see our Fact Sheet for marijuana processors at: <http://dor.wa.gov/marijuana>.

TELEPHONE INFORMATION CENTER
1-800-647-7706

[HTTP://DOR.WA.GOV/MARIJUANA](http://dor.wa.gov/marijuana)

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.